

Realty Trust Review

July 15, 1974

Vol. V, No. 13

VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

Trust	Port. Yield	-6Mo. Last	Port.Chng.- E Next	Lever. Ratio	Price	Ann. Yield*	Div. Reinv.	Page
BankAmerica Rlty.	11.40%	25%	5%	2.59	\$10.25	19.5%	No	2
First Union	11.77	2	3	1.93	8.38	11.4	Yes	5
Franklin Rlty.	14.13	1	0	2.40	3.25	None	No	8
Indiana Mtg. & Rlty.	13.25	15	0	2.94	8.50	20.2	No	3
Investors Rlty.	14.31	3	3	2.27	8.00	15.0	Yes	3
JMB Realty	17.84	8	0	0.41	9.50	21.4	No	5
Miller (Henry S.)	16.29	5	23-29	2.17	10.00	12.2	No	4
Saul (B.F.) REIT	14.53	16	3-5	1.42	6.75	21.9	Yes	6
U.S. Bancorp.	12.56	26	0	2.38	14.13	14.4	Yes	7
AVERAGES	14.01%	11%	4 $\frac{1}{2}$ %	2.06		15.1%		

*Based on annualized latest quarter.

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

RELATIVELY STRONG SO FAR, COMBINATION TRUSTS HAVE LIMITED RECOVERY POTENTIAL

Through mid-June the equity and mortgage combination trusts were among the industry's strongest performers because the group had fallen only 17.1% since January 1 while all REITs had declined 27.8%. And the nine trusts reviewed had done even better, falling only 12.7%. In the intervening three weeks prices have deteriorated sharply, this group falling an average 18.7% to now stand down 28.2% from Jan. 1. Several conclusions should be made from this litany of negatives:

1. Stock and money markets have been near panic in the last few weeks, and some major companies (e.g., Columbia Gas Systems) have been unable to raise capital through sale of new stock or bonds. We suggest you gear your investment planning to the premise that these conditions will last longer and be more severe than even the current bearishness indicates.

2. Real estate trusts began falling more than a year before the general market so that many issues are well deflated. The recent selloff in the relatively strong performers, including the industry's largest mortgage trust, Chase Manhattan Trust,

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FIVE KEY RATIOS

	Loss* Res.	Non-earn. Inv.#	Exp. Ratio#	-Floating Port.	Rate- Funds
BankAmerica Rlty.	0.34%	2.7%	1.25%	NA	65%
First Union	None	None	0.70	17	17
Franklin Rlty.	0.23	NA	0.65	NA	38
Indiana Mtg.&Rlty.	0.29	0.6	1.15	35	57
Investors Rlty.	0.33	None	1.20	14	26
JMB Realty	None	None	1.95	13	29
Miller (Henry S.)	None	None	1.59	17	26
Saul (B.F.) REIT	0.75	7.0	1.22	13-14	44
U.S. Bancorp.	0.20	None	1.15	36	68
AVGS.	0.36%	1.3%	1.21%	21%	38%

*Based on mtg. investments. #Based on gross portfolio.

suggests that the whole-sale liquidation of REITs has about run its course as many investors abandon all hope or confront margin calls. This would be consistent with the pattern of past market declines.

We are asked more frequently these days about selling REIT shares short and the evidence cited above suggests it is far too late to sell short and too early

for aggressive buying. But true bear markets--and this is one for REIT shares--end in a prolonged dullness during which there is ample time to establish positions. Thus there should be no rush to put funds to work now but we do suggest that most issues reviewed be watched closely and nibbled at because most have the capacity for recovery.

The group reviewed this issue is noteworthy because six of the nine (First Union, Franklin, JMB, Investors, Henry S. Miller, B.F. Saul) are sponsored by independent local and regional real estate groups. All have accented property ownership, although a few have tried to emulate the mortgage trusts (with disastrous results for Franklin). Three (BankAmerica Realty, Indiana Mortgage, U.S. Bancorp.) are sponsored by large brand-name financial institutions, and BankAmerica appears the strongest of these three.

BANKAMERICA REALTY INVESTORS (10 $\frac{1}{4}$ --OTC-BRLTS) FY Jul. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld range-
7/73	\$200.2M	11.35%	10.52%	\$0.46	\$0.50	\$29.63-25.00	8.0-6.8%
10/73	208.9	12.13	11.16	0.50	0.50	28.88-22.50	8.9-6.9
1/74	243.8	11.91	10.35	0.45	0.50	28.63-21.00	9.5-7.0
4/74	261.4	11.40	11.23	0.50	0.50	24.50-20.00	10.0-8.2

Portfolio dynamics: In the past six months, investments increased 25% and management expects the portfolio to reach \$275M by year end Jul. 31, 1974. In the next six months we expect portfolio to grow about 5%. No new commitments on being made but at Apr. 30, commitments were \$143.3M. Composition of the portfolio at Apr. 30 was 41% construction & devel., 33% equity, 20% long-term mtg., 5% second mtg. and 1% investments in limited partnerships. The mix will remain about the same in the next six months. Construction loans by project type were 34% apartments, 33% condominiums, 20% shopping centers, 12% office buildings and 1% hotels. Intermediate (over three years) and long-term loans by project type were 32% shopping centers, 27% apartments, 16% hotels, 14% office buildings and 11% other. Investments are located in 16 states and Wash. D.C. with 36% of mtg. loans located in Calif. Although some 50% of short-term loans float with either the prime or the commercial paper rate, most have reached maximums so very few are floating at present although the exact percentage is not disclosed by management. The trust has two investments for \$7.06 million on which it is not recognizing interest. These were 2.7% of the portfolio and reduced earnings for the April quarter by about \$0.05 per share. Both loans are on completed commercial properties but management would not give details on either loan. No loss of principal is expected on either investment.

Financing: Trust is funded 28% by capital and 72% by non-convertible debt. Capital of \$72.3M is 93% in equity with 3.55M shares and 7% in 6 3/4% convt. subor. debent. Debt of \$187.1M is 57% in commercial paper, 27% 10-year bank term loan, 10% mtg. and 6% short-term bank loans. Some 65% of the trust's funds float with market rates. All commercial paper is backed by letters of credit and sold directly. The paper is rated

P-1 by Moody's. Trust had planned to register a \$50M subor. debenture offering in early 1974 but held off due to poor money market conditions. Trust has unused portions of existing bank lines it can use for further portfolio growth. No bank lines have been cut. Sponsor: BankAmerica Corp., largest U.S. bank holding company. Results & outlook: Despite the high interest rates which caused squeeze on the spread, trust was able to maintain earnings and dividends. Lack of major problem investments aided results. If interest rates remain at their record levels in the next six months results will be hard pressed to maintain recent levels. This is because 65% of fundings float with market rates while most investments are at fixed or close to fixed rates. Significant growth in investments will also be difficult to achieve unless new financing becomes available. Shares are selling at about 45% below book value and have to date not been as badly affected as other REITs, mainly because of strong sponsorship and investment quality. Shares have sound investment appeal and excellent value. (VCK)

INVESTORS REALTY TRUST (8--ASE-IRT) FY Nov. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price range-	Yld. range-
8/73	\$56.7M	14.39%	12.30%	\$0.36	\$0.34	\$14.38-11.00	12.4- 9.5%
11/73	57.5	14.59	11.78	0.34	0.35	13.88-10.63	13.2-10.1
2/74	58.0	14.37	10.04	0.28*	0.35	12.38-10.63	13.2-11.3
5/74	59.0	14.31	7.31	0.18**	0.30	11.63- 8.25	14.5-10.3

*Excl. \$0.20 per share capital gain.

**Excl. \$0.04 per share capital gain.

Portfolio dynamics: Investments increased 3% the past six months and management expects slight growth the next six months with little change in portfolio composition. No new commitments are being made. Portfolio at May 31 was 75% equity, 7% junior, 6% land development and 4% each constr., land and standing first mtgs. Equity investments are primarily apartments and shopping centers. Investments are in 15 states and Wash. D.C. About 55% of mortgage loans are presently floating with market rates so that some 14% of the total portfolio floats. One problem investment, a \$715T construction in Kentucky, was brought current in June and now the trust has no problem loans.

Financing: Trust is funded 31% by capital and 69% by non-convertible debt. Capital of \$19.0M is all equity with 1.58M shares. Debt of \$43.1M is 63% mtg. and 37% short-term bank loans. Some 26% of funds float with market rates although this number is really lower since five of the trust's bank lines are from Tennessee lenders where the usury ceiling is 10%. Trust bank lines stand at \$18.5M with seven banks. No bank lines have been reduced and trust is presently negotiating to increase one line. A public offering of 750T shares and warrants scheduled for early Dec. 1973 was withdrawn. When conditions improve trust hopes to go to the public market. Sponsor: Crescent Properties Co., a Nashville-based real estate investment and development co. A new contract giving the adviser 20% of net cash flow became effective June 1. Results & outlook: Feb. quarter results were hurt by an addition of \$51,500 (about \$0.03 per share) to the loss reserve. May quarter results were hurt by a write off of \$155,000 from the cancelled offering and a \$7,000 addition to the loss reserve. The two expenses were \$0.10/sh. in May. Earnings in the next two quarters should be able to show gains since the extraordinary expenses are behind. Shares selling at about 35% below book value are down only about 25% from Jan. 1, reflecting quality of trust's holdings. Trust earnings will continue to be moderately restricted by high interest rates since the majority of investments are real estate. Tight money however will impair asset growth. The quality shares have conservative longer-term appeal. (VCK)

INDIANA MORTGAGE & REALTY INVESTORS (8½--OTC-INDMS) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price range-	-Yld.range-
6/73	\$64.7M	9.71%	8.88%	\$0.42	\$0.43	\$22.75-17.25	10.0- 7.6%
9/73	70.8	13.16	9.35	0.39	0.43	19.50-17.75	9.7- 8.8
12/73	71.5	14.18	9.43	0.40	0.43	21.00-12.75	13.5- 8.2
3/74	81.2	13.25	9.71	0.41	0.43	16.-25-12.75	13.5-10.6

Portfolio dynamics: The Mar. portfolio, up 15% over the past six months, is 27% construction loans, 25% real estate owned by partnerships, 22% land development loans, 14% permanent long-term mortgages, 6% equity investments, 3% land acquisition, 2%

wrap-around and 1% second mtg. and gap. In real estate owned by partnerships the trust has almost all ownership and operation risks so the trust carries the full partnership assets and liabilities on its balance sheet. The trust is making very few new commitments, generally on construction loans with takeouts or equity investments. Management expects portfolio to remain about the same the next six months with composition unchanged. By project type, constr. loans are 33% shopping centers, 25% other, 20% single family (incl. condominiums), 14% office building and 8% apartments. Investments are located in 7 states with some 55% in Indiana. About 68% of constr. and devel. loans, or 35% of the total portfolio, float with market rates. Trust has one problem loan of \$500T, or 0.6% of the March portfolio. This loan is a second mortgage loan on a 135-unit rental apartment project in Houston. Trust has acquired the property through foreclosure and is presently arranging to sell the property. When the trust acquired this property it was 17% occupied but at June 30 the occupancy rate was 93%. If the sale is completed the trust will not suffer any loss of principal or interest.

Financing: Trust is funded 25% by capital and 75% by non-convertible debt. Capital of \$21.4M is all equity with 1.15M shares. Debt of \$63.1M is 60% short-term bank loans, 24% mtg. and 16% interim notes (term loan). Some 57% of funds float with market rates. Trust has bank lines of \$51M with ten banks. It has recently added to bank lines and has experienced no cuts or limits on any line. Trust feels it has adequate bank lines for future portfolio growth. Sponsor: The adviser is a one-bank holding company of Indiana National Bank, one of the largest in Indiana. Results & outlook: Increase in gross revenues was such that trust was able to offset higher interest cost and produce slightly increased earnings. Lack of any major problem loans was also a plus. However high rates will make it difficult to keep these modest gains due to the present negative spread. Shares which are selling at about 40% below book value have declined by about 33% for this year but have limited investment appreciation in today's high interest rate environment. (VCK)

HENRY S. MILLER REALTY TRUST (10--OTC HSMTS) FY Feb.28/29

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld range-
8/73	\$27.7M	15.97%	10.48%	\$0.34	\$0.34	\$14.50-13.00	10.5- 9.4%
11/73	29.6	16.71	11.35	0.37	0.35	15.25-10.00	14.0- 9.2
2/74	31.4	15.84	10.32	0.33	0.35*	13.25-11.50	12.3-10.7
5/74	31.1	16.29	10.24	0.30	0.30	13.00- 9.50	12.6- 9.2

*Excl. \$0.02 per share year-end extra.

Portfolio dynamics: The current portfolio, which increased 5% over the last six months, was 75% equity, 14% land & devel. mtg., 6% intermediate mtg., 4% junior and 1% constr. mtg. Equity was 25 properties: 13 shopping centers (1.155M sq. ft.); 5 office buildings (198T sq.ft.) 3 office & warehouse (61T sq. ft.); 3 retail (37T sq. ft.); 1 warehouse (24T sq. ft.). By value, these properties were: 70% shopping centers; 23% office buildings; 4% warehouse; 3% retail. Investments are in four states concentrated in Texas. Properties were 98% leased overall and all loans were current. Trust has funds available to make new commitments with \$5M slated for short-term loans and \$10M for equity. Management expects portfolio to be about \$38-\$40M in the next six months, a 23-29% increase. Composition should stay about the same. Except for about \$2.5M, the rest of mtgs. float with market rates. This \$2.5M will start floating in Nov. or Dec. Presently some 17% of the entire portfolio floats.

Financing: Trust is funded 31% by capital and 69% by non-convertible debt. Capital of \$10.3M is all equity with 560T shares. Debt of \$22.3M is 38% short-term bank loans and 62% mtg. Of total funds, some 26% float. Trust presently has \$14.6M in bank lines with some dozen banks. Trust increased bank lines in the past six months. Sponsor: Henry S. Miller Co., Dallas real estate company. Results & outlook: According to management the lower May quarter results were caused by high interest rates and a decrease in loan and commitment fee income. Since trust envisions a good gain in investments, loan and commitment fee income should rise in the next

few quarters. Trust's rental properties appear of good quality and new additions appear of the same caliber. Management appears capable. Shares sell about 40% below book but have been down only about 9% for the year to date. Float is small but the trust is emerging as a solid equity situation. (VCK)

JMB REALTY TRUST (9 1/2--OTC-JMBRS) FY Aug. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price range-	-Yld range-
8/73	\$12.6M	18.51%	11.61%	\$0.51	\$0.50	\$16.50-13.75	14.6-12.1%
11/73	12.7	19.08	11.82	0.52	0.51	17.50-12.25	16.7-11.7
2/74	13.3	18.90	11.80	0.55	0.51	14.75-14.00*	14.6-13.8
5/74	13.7	17.84	10.95	0.51	0.47	13.00-10.63*	17.7-14.5

*Prices from monthly RTR.

Portfolio dynamics: In the last six months, the portfolio increased by 8% and management expects investments to remain about level the next six months. Trust will continue to fund present commitments but new commitments will be slow due to financial limitations. Any change in the portfolio mix will be increased land leasebacks and less equity investments. The portfolio is 33% equity, 26% long-term wrap-arounds, 20% land leasebacks, 8% junior mtg., 7% constr. & devel. and 6% short-term first mtg. By project type, the portfolio is 62% shopping centers, 24% apartments, 8% office buildings, 3% each mobile home parks and land devel. Investments are in 10 states concentrated in Mass. There are no loans on which interest accrual has been halted. Although only the short-term loans, some 13% of the portfolio, are tied to market rates, two of six land leasebacks are producing overages.

Financing: Trust is funded 71% capital and 29% non-convertible debt. Capital of \$9.3M is all equity with 510T shares. Debt of \$3.8M is short-term bank notes. Some 29% of funds float with market rates. Trust has an informal bank line agreement with one bank under which it still has borrowing capacity. It is negotiating to increase this bank line. Sponsor: JMB Realty Corp., a Chicago real estate company. Trustees and JMB Realty own 24,330 shares or 4.8% of outstanding shares. Results & outlook: The latest quarter results were down because of high interest rates. Near-term results will continue to be hurt by high rates. Overages should continue rising as investments mature. Shares sell about 47% below book. Good conservative value is available to small investors able to accept a small float. (VCK)

FIRST UNION REAL ESTATE INVESTMENTS (8 3/8--NYSE-FUR) FT Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price range-	-Yld.range-
7/73	\$142.1M	11.93%	10.18%	\$0.27	\$0.24	\$12.75-11.25	8.53-7.53%
10/73	139.1	19.22	11.31	0.33	0.24	12.13-10.75	8.93-7.91
1/74	141.6	13.70	9.77	0.26	0.24	12.38- 9.75	9.85-7.75
4/74	141.5	11.77	10.28	0.28	0.24	11.88- 9.63	9.97-8.08

Portfolio dynamics: The depreciated portfolio increased 2% the last six months and figures to be up moderately in the next few quarters. Always conservatively oriented, loan fundings may be about \$5 million to fill commitments and some small equity deals may be made depending on yield available for quality properties. Current portfolio is 85% equity and 15% construction loans with much of the loans convertible into equity. The property mix is 69% office buildings, 24% shopping centers and 7% motor inns. Ownership encompasses 2,874,000 s.f. office space, 1,729,000 s.f. of shopping space and 425 hotel rooms, before equity conversion privileges. The office buildings are located in Cleveland (Union Commerce & 55 Public Sq.) and Atlanta (two each), Tampa, N.Y., Dayton, Pittsburgh and Los Angeles. Most are occupied upwards of 95% with two at 84% and one at 89%. The shopping centers are regional enclosed malls in Denver; Wilkes-Barre, Pa.; Fairmont, W. Va.; St. Cloud, Minn. and Wenatchee, Wash. Convertible loans on centers include six K-Marts in Oregon, Calif. and Wy. totalling 688T s.f. Motor inns are of the high-rise variety located in densely populated, heavily trafficked areas. The trust has no loss reserve and no problem loans. No delays or overruns are being experienced either. Construction loans are essentially made with a view toward equity conversion. In May, trust an-

nounced purchase of Circle Tower office building in Indianapolis for 192,500 of its shares valued at \$2.3M. This valued FUR's shares at \$12, about 20% over then market price and book value of \$10.

Financing: Trust is funded 35% equity and 65% non-convertible debt. Capital of \$50.8M is 64% equity with 3.72M shares and 36% of 7% convertible debentures. Debt of \$96.1M is 74% mortgage loans, 17% short-term bank loans, 5% other short-term loans and 4% commercial paper. In effect, all short-term borrowings float as do the trust's short-term construction loans and the two are almost equal. The trust has \$35M lines of bank credit, of which nearly \$20M is unused and an unused \$25M revolving credit, just raised from \$20M. The revolver costs $\frac{1}{2}\%$ of unused balance and 120% of prime when used. **Sponsor:** Independent, self administered. **Results & outlook:** Cash flow should continue to hold up and the dividend looks fairly secure. The inflationary hedge nature of well situated trust properties is good. Growth will remain modest but sound. Expanded staff should permit taking advantage of availabilities in real estate market. The shares offer quality value although not depressed to same degree as lesser trusts. Convertible debentures provide value equal to shares plus exceptionally secure coupon for a trust instrument. (BS)

B.F. SAUL REAL ESTATE INVESTMENT TRUST (7 $\frac{1}{2}$ --NYSE-BFS) FY Sept. 30							
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
6/73	\$236.1M	14.01%	11.01%	\$0.40	\$0.39	\$19.38-15.00	10.4- 8.1%
9/73	269.2	13.51	10.02	0.35	0.39	17.25-14.75	10.6- 9.0
12/73	289.4	13.96	9.45	0.31	0.39	16.75-10.75	14.5- 9.3
3/74	311.7	14.53	10.87	0.38	0.37	12.50- 9.00	16.4-11.8

Portfolio dynamics: Investments grew 16% in the past six months but will show little growth in the next six months. No new commitments are being made. The portfolio was 52% constr. loans, 25% equity, 8% real estate acquired through foreclosure or in lieu of foreclosure, 7% devel., 5% interim and 3% junior mtg. and other. Mortgages by project type were 47% apartments (high rise and garden), 12% office building & parks, 11% each condominiums and hotels/motels, 8% shopping centers, 4% each warehouse/industrial and planned communities, 2% miscellaneous and 1% townhouses. Equity or real estate investments by type were 65% shopping centers, 34% apartments and 1% motel. Mortgage investments are located in 23 states with concentration in Fla. (22%), Tex. (17%), Va. (13%), Md. (12%) and Ga. (11%). Most equity investments are in Md. and Va. Some \$40-\$45M of mtg. investments are really floating with market rates, or about 13-14% of the total portfolio. About \$100M of mtg. investments float but have hit maximum rates. The trust has \$23.4M of property acquired through foreclosure or in lieu of foreclosure. Of this \$23.4M some \$21.8M is not earning full potential rates. This \$21.8M represents about 7% of the Mar. portfolio. The \$21.8M consists of the following four properties. Two apartment buildings (\$4.9M) with 546 units located in Baytown, Tex. are 95% rented but are contributing little to trust earnings because of low rents. Two other apartment buildings with 608 units located in Houston Tex., (\$6.5M investment) are below 50% occupied but renting is progressing more satisfactorily. Trust is not getting any earnings from this project due to the current low level of occupancy. The third property is a 220-unit apartment complex in Denver, Colorado (\$4M) now 87% leased and contributing some cash flow. The fourth investment is a 304T sq. ft. shopping center called Lexington Mall in Lexington, Ky. The anchor stores in this mall are in and the center should be well leased and occupied by the spring of 1975. The trust recently acquired through lease cancellation the French Market Mall in Oklahoma City, Okla. The trust's total investment here is \$1.6M and the center is presently 95% leased. Since trust is receiving earnings from this center it cannot be considered a problem investment. Adviser, an old-line realty company, has considerable experience in turning sick properties into sound investments through its management skills and above holdings appear to fit that pattern.

Financing: Trust is funded 41% by capital and 59% by non-convertible debt. Capital of \$137.8M is 55% in equity with 5.66M shares, 27% in 6 $\frac{1}{2}\%$ and 8% convt. subor. debent. and 18% in 8 $\frac{1}{2}\%$ subor. notes. Debt of \$195.7M is 62% short-term bank notes and

commercial paper, 19% mtg., 13% 5-year term loan, 6% senior notes. Trust has \$179.5M in domestic bank lines with 41 banks and \$22.5M in foreign bank lines. Trust is presently using about 57% of its lines. Trust sells its commercial paper directly and has an A-2 S&P rating and a F-1 Fitch rating. Trust is also selling directly senior notes (up to \$50M) carrying interest rates and maturities as follows: 8½% one year, 8 3/4% two years, 9% three years. At May 30, 1974 trust had sold \$13.4M of these notes. On May 2, 1974 the trust announced that the trustees had approved a repurchase of up to \$5M of trust shares. Sponsor: B.F. Saul Company, a Wash. D.C. mtg. banking and real estate company. On Oct. 1, 1973 trust began basing advisory fee only on the net equity in property holdings. Results & outlook: Mar. quarter earnings were aided by the inclusion of \$560T of back mtg. interest (about \$0.10 per share) due to foreclosure and acquisition of Lexington Mall. Continued high interest rates will hurt near-term results due to the present negative spread between funds borrowed and funds loaned. Problem properties appear well controlled but will take time before contributing to earnings. Shares selling at about a 50% discount from book. The shares have longer term investment appeal. They should perform well once the cloud of high interest rates dissipates and problems further worked out and real estate capabilities put in perspective. (VCK)

U.S. BANCORP REALTY AND MORTGAGE TRUST (14 1/8--ASE-UBT) FY May 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price range-	-Yld. range-
5/73	\$55.3M	11.45%	10.55%	\$0.76	\$0.60	\$29.38-26.50	9.1- 8.2%
8/73	62.1	12.59	10.55	0.67	0.62	28.75-25.13	9.9- 8.6
11/73	73.6	12.39	8.77	0.53	0.63	28.75-20.50	12.3- 8.8
2/74	78.4	12.56	10.06	0.62	0.64	25.25-20.00	12.8-10.1

Portfolio dynamics: The portfolio increased 26% the last six months but management expects little growth the next six months. Trust is not making any new commitments. Investments at Feb. 1974 were 51% constr., 24% equity, 7% land devel., 4% non-real estate, 3% each land acq., other first mtg. and real estate equities-new constr., 2% each interim and long-term, gap, wraparound and 1% second. Construction loans by project type were 23% commercial/industrial, 14% agricultural, 13% each apartments, comdominiums (residential) and single family, 8% each condominiums (recreational and hotels/motels, 6% mobile home parks and 2% duplex-triplex. Equities by project type were 44% industrial parks, 32% office & commercial, 19% free standing industrial buildings and 5% land purchase leasebacks. Investments are in 9 states concentrated in Oregon (49%) and Calif. (35%). Presently 50% of mtg. loans float so 36% of total investments float. As of Feb. 28, interest was being recognized on all loans. Presently the trust has an undisclosed though very small amount of delinquent loans. Management feels that it has a good change of quickly working out these loans.

Financing: Trust is funded 30% by capital and 70% by non-convertible debt. Capital of \$23.2M is 82% in equity with 838T shares and 18% in 7% convt. subor. debent. Debt of \$55.2M is 89% in commercial paper, 8% in short-term bank loans and 3% in mtg. About 68% of funds float with market rates. Trust currently has \$70.0M in bank lines with 10 banks. Trust also has a \$50M credit agreement with its sponsor, U.S. Bancorp, to be used for its commercial paper. Commercial paper operations have been trimmed down substantially in the past three months so that presently the trust has only about \$17-18M in commercial paper. In the early part of the year the trust was not successful in arranging for a \$5M senior subor. note private placement. Sponsor: U.S. Bancorp, Oregon's largest bank holding company. Bancorp Management Advisers, the trust's adviser, plans buying up to 10,000 trust shares. To date the adviser has bought 2,500 shares. Results & outlook: The trust recently announced a dividend of \$0.51 per share including a \$0.10 capital gain for the May quarter, the year end quarter. Usually a good indication of the trust's earnings, it appears fourth quarter results were off significantly. The present negative spread between funds loaned and borrowed account for lower May quarter results. These pressures are persisting into the July quarter. Shares are presently selling about 40% below book value are down some 33% from the beginning of the year. The share's premium relative to the group may prove vulnerable. (VCK)

FRANKLIN REALTY & MORTGAGE TRUST (3 $\frac{1}{4}$ --ASE-FR) FY ends June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Div.range-
9/73	\$45.4M	14.08%	8.21%	\$0.12	\$0.12	\$7.63-6.00	8.00-6.29%
12/73	45.5	14.80	7.36	0.08	0.08	7.13-4.25	7.53-4.49
3/74	44.7	14.13	1.23	0.04	0.04	5.75-4.38	3.65-2.78
6/74	E44.8	NR	None	E def.	0.00	4.88-3.00	Omitted

Portfolio dynamics: Holdings have been static for the past six months and little change is anticipated in the immediate future. Holdings are 72% in real estate at depreciated book value and 28% in mortgage loans. Equity holdings in June 1973 were 64% office buildings, 23% apartments, 8% motels, 5% land in Salt Lake City and Memphis and $\frac{1}{2}$ % construction in progress. Three properties account for over one-third of equity holdings: the Medical Towers Building in Houston, Jefferson Bank Building in New Orleans and Marlow Overlook Apartments in Prince Georges County, Md. Other office holdings are in Tulsa, Baltimore, Santa Ana and Burbank, Cal., Cincinnati and Cleveland, O. Motels are the Treadway Motor House in Cambridge, Mass. and through a partnership the Holiday Inn in New Orleans' French Quarter. Through a joint venture the trust is constructing the 230,000 sq. ft. Franklin International Plaza in Coral Gables, Fla., whose \$10 million-plus cost will make it the trust's largest single investment. The building is just being completed and rentals are reported slower than anticipated; under the partnership agreement the trust will begin reporting half of profits or losses in August. The mortgage loan portfolio is 49% second mortgages (including \$1.7M to the Franklin Plaza joint venture), 29% first mtgs., 17% construction loans and 5% land loans.

Financing: Total funds of \$49.7M are 71% non-convertible debt and 29% capital. Capital is two-thirds shareholders' equity with 998T shares and one-third in a 7% debenture convertible at \$10. Non-convertible debt is 46% mortgage debt on property, 38% short-term bank loans at $\frac{1}{4}$ % over prime and 16% in revolving credit at 1% over prime. Thus 38% of total funds float with prime while less than one-fourth of holdings float, setting up a negative spread that has sharply cut earnings. Sponsor: Independent. Results & outlook: Narrowing spreads on borrowings caused the sharp earnings drop and the dividend omission in the June quarter. While properties continue to operate well, earnings will continue to be impacted until interest rates decline. The shares do not look particularly attractive at 33% of book value except for very long-term speculative recovery. (KDC)

NEWS BRIEFS ABOUT REAL ESTATE TRUSTS AND THEIR INDUSTRY

Commonwealth National Realty Trust had its shares suspended from trading for 20 days when its former sponsor, Commonwealth Corp., Florida mortgage banker, went into Chapter X bankruptcy. The former sponsor since sold its 50% of the trust's adviser to the other sponsor. Problem is the mortgage banker was servicing some of the trust's loans and failed to remit one repayment. Although Commonwealth National is not directly concerned, some assets may be entangled in the mortgage banker's bankruptcy web. *National Mortgage Fund* is in a similar situation with \$30M of its loans having been originated by Commonwealth Corp.

Justice Mortgage has switched to a cash reporting and dividend paying basis from the accrual basis. Ultimately, trust believes all accrued interest will be collected. Object of cash reporting is to increase investor confidence in reported earnings.

Continental Mortgage Investors, facing a liquidity crisis, omitted its first quarter dividend and will probably also pass the second and third quarter dividends. Payments necessary to comply with IRS payout requirements will be made at fiscal year-end, March, 1975. Continental's adviser agreed to accept a 40% adviser's fee reduction. Beyond high interest rates, 15.5% of the portfolio is not providing income, consisting of \$85M of loans are not accruing interest and \$47M are in foreclosure.

Fidelity Mortgage's trustees are considering calling a stockholders meeting this fall to vote on giving up its trust status. This would enable it to deal actively rather than passively with increasing delinquent loans and foreclosures.